



Idaho Soil & Water Conservation Commission

650 W. State St., Room 145 • Boise Idaho 83720

Telephone: 208-332-1790 • Fax: 208-332-1799

www.swc.idaho.gov

IDAHO SOIL & WATER CONSERVATION COMMISSION PUBLIC COMMISSION MEETING

Date and Time:

Tuesday, February 15, 2011

From 9:00 a.m. to 5:00 p.m. MST

Location:

Joe R. Williams Building (Hall of Mirrors)

700 W. State St., Boise Idaho

East Conference Room 100

APPROVED MINUTES

COMMISSION MEMBERS PRESENT:

Bill Flory

Dwight Horsch

Dick Bronson

Roger Stutzman

Dave Radford (via teleconference)

ADVISORS PRESENT:

Clint Evans, Natural Resources Conservation Service

Randy Purser, Idaho Association of Soil Conservation
Districts

Karma Bragg, Idaho District Employees Association

Todd Wilson, Idaho Bankers Association (via
teleconference)

COMMISSION STAFF PRESENT:

Sara Schmidt

Kristin Magruder

Chuck Pentzer

Lance Holloway

Terry Hoebelheinrich

Erin Seaman

PARTNERS AND GUESTS PRESENT:

Harriet Hensley, Deputy Attorney General

John Homan, Deputy Attorney General

Connie Smith, Dept of Administration

Kean Miller, Dept of Administration

Rebecca Fry, Dept of Administration

Terry Halbert, North Side SWCD

Bret Rumbeck, IASCD

Chris Simons, Balanced Rock SWCD

Wayne Newbill, Idaho OnePlan

Kent Foster, Ada SWCD

Steve Becker, IASCD and Nez Perce SWCD

Ken Stinson, Latah SWCD

Kari Schwendiman, IDEA and Latah SWCD

Billie Brown, IASCD & Benewah SWCD

Kyle Wilson, Nez Perce SWCD

Kathy Moeykens, IDEA and S. Bingham SWCD

Kit Tillotson, IASCD & Portneuf SWCD

Steve Miller, Camas SCD

Andrew Miller, guest

Mary Stutzman, guest

Rick Rodgers, IASCD and Balanced Rock SWCD

Scott Koberg, Ada SWCD

Kirk Vickery, Gem SWCD

Loretta Strickland, Gem SWCD

1 The meeting was called to order by Chairman Bill Flory, Idaho Soil & Water Conservation
2 Commission (SWC) member at 9:11 a.m.

3
4 Welcome and self-introductions followed. Dave Radford, SWC Member, is absent from today's
5 meeting due to being involved in an accident over the weekend and preventing any travel for
6 the immediate future. He will participate via teleconference later in the meeting.

7 8 **REVIEW OF DRAFT MINUTES**

9
10 Dick Bronson, SWC Secretary and Member, reviewed the draft minutes from January 19, 2011
11 Teleconference and found them to be accurate.

12
13 **Mr. Bronson moved to approve the draft minutes from the January 19, 2011 Teleconference.**
14 **Dwight Horsch, SWC Vice Chair, seconded. No further discussion. Motion passed.**

15 16 **SCHEDULE SPRING MEETING**

17
18 Mr. Horsch requested to defer this issue until later. No objection was made and the issue was
19 tabled.

20 21 **REPORTS FROM COMMISSIONERS and ADVISORS**

22
23 Clint Evans, Natural Resources Conservation Service (NRCS), presented the partner report on
24 behalf of Jeff Burwell, State Conservationist. April 1st is the deadline for general EQIP
25 applications. Sage grouse and CCPI deadlines are April 15th and the funds are scheduled to be
26 obligated by June 1st. Their office is currently ranking and evaluating WRP and GRP
27 applications. They are also working on sage grouse priorities for partner agencies. Seven Idaho
28 AWEF and CCPI projects are being evaluated at the national level. Mr. Evans advised the
29 Commission that NRCS is willing to match technical assistance funds on Gem Soil & Water
30 Conservation District (SWCD) CCPI project. He further advised that certified technical service
31 providers are needed to offer funding for the oil containment program. Discussion followed.

32
33 Karma Bragg, Idaho District Employees Association (IDEA) President and Custer SWCD,
34 presented the partner report for IDEA. IDEA staff met with SWC and IDFG staff to implement a
35 web-based Excel training. They will be initiating a skills assessment to identify the focus for the
36 training outline and identify real-world examples so district staff can apply the application to
37 multiple facets of the district work. Ms. Braggs advised that she is utilizing the support of IDEA
38 directors to cross-train and attend meetings.

39
40 Randy Purser, Idaho Association of Soil Conservation Districts (IASCD) President and Butte
41 SWCD, presented the partner report for IASCD. Mr. Purser introduced Bret Rumbeck as the
42 new Executive Director. Their strategic plan and fundraising for the association have been the
43 focus to date. Mr. Rumbeck addressed the Commission on the recent activities of IASCD and is
44 looking at the successes of neighboring states to learn from them. He is currently looking at

multiple funding options to assist the districts and the overall operating costs of IASCD. Mr. Rumbeck further described their online activities and expanding their social media presence in order to expand communications with districts, directors and partners. They have a new blog at iascd.wordpress.com. Mr. Purser advised that IASCD is now offering a payroll service to the districts so they do not have to pay for the service with QuickBooks any longer. The first week of December 2011 has been scheduled for the annual IASCD conference at the DoubleTree Riverside in Boise. Discussion followed.

Dr. John Hammel and Todd Wilson were unavailable for partner reports.

Mr. Bronson presented his report to the Commission and observations on the morning's Senate confirmation hearings.

Roger Stutzman, SWC Member, commented on the experience of his first confirmation hearing. Commissioners commended Mr. Stutzman for bringing his experience to the table and thanked him for his service to agriculture.

Mr. Horsch commended Commissioners on their responses to the Senate Ag Committee. The Strategic Plan Working Group is having their first meeting tomorrow, February 16, 2011 and invited any interested parties to attend. He wants the group to identify the most important priorities for the Commission to focus on and have a clear understanding of what can be accomplished over the next five years with the limited resources available. Since Mr. Radford is unavailable, Mr. Bronson offered to fill in for him during his absence.

Mr. Flory addressed the staggered terms of each Commissioner as set up with the new legislation from last year. He thanked the conservation partners that attended the confirmation hearings for their support of the Commission and their support and dedication to non-regulatory conservation in agriculture. Mr. Flory further stressed that there cannot be enough said about the value of the volunteer hours and nature of the work being done on the ground and the time and effort put in by district staff and supervisors.

STRATEGIC PLAN WORKING GROUP UPDATE

The update was addressed by Mr. Horsch during his report. Reminder: Working Group meeting is scheduled for Wednesday, February 16, 2011 at 7:30 a.m. at the Idaho Farm Bureau Building in Boise.

WATER QUALITY PROGRAM FOR AGRICULTURE (WQPA)

Division I Extension Request

Lance Holloway, SWC staff, invited Billie Brown, IASCD and Benewah SWCD, to provide background on the Division I Extension Request. Ms. Brown advised the Commission about the Division I project, which is a collaborative effort between the four districts and NRCS, and is further supplemented by WQPA funding. The weather has not allowed many of the producers

to install their practices this fiscal year and Division I is requesting an extension in order to complete the project. Ms. Brown assured the Commission that they will be working diligently with the producers to install as many practices prior to June 30, 2011, but many BMPs will not be able to be installed until this fall.

Harriet Hensley, Deputy Attorney General, worked on a new contract with Division I and their attorneys to craft a new agreement. Ms. Brown concurred that this agreement is acceptable to the Division and the attorneys. Mr. Holloway advised there was a modification to clarify that the agreement is with the four individual districts rather than IASCD Division I. Discussion followed about the budget, authority and various options to consider in order to manage funding for this project. Approximately \$124,000 remains in the WQPA budget this fiscal year after payments and preapprovals. The Commission can request to encumber the remaining amount to spend on this project next fiscal year to lessen the impact to the FY 2012 Trustee & Benefit budget.

Mr. Horsch moved to approve the extension to the Division I Districts WQPA agreement as presented. Mr. Bronson seconded. Further discussion followed as there are concerns about approving an extension without the ability to commit funds to pay for it. **Motion passed unanimously.**

Block Grant Discussion

At the November 17, 2010 Commission meeting, there was interest expressed for the Commission to look at other options for grants and funding for districts beyond WQPA due to the restrictions of the program. Mr. Holloway described how a conservation block grant could work to the benefit of the districts. Currently, WQPA funding is limited to priority areas as set by the Commission, which limits the ability of several districts to apply for that funding since they do not fall within those priority areas. The first step is to form a planning committee to discuss the details and make a recommendation for program components and concepts. Discussion followed. Roger Stutzman and Dick Bronson will co-chair the committee and Lance Holloway will be the lead SWC staff to coordinate the volunteer effort.

A break was called for at 10:24 a.m.

Meeting reconvened at 10:42 a.m.

FINANCIAL REQUESTS

Sara Schmidt, SWC Administrator, provided the Commissioners with a packet of requests for sponsorships and funding. The money for these requests was not originally included in the Commission FY 2011 budget. Each request will be considered during the budget and financial discussion later in the agenda.

Gem SWCD: CCPI Technical Assistance

Kirk Vickery and Loretta Strickland from the Gem SWCD provided some background in support of their request for an additional \$25,000 in technical assistance funds to support their CCPI

project in conjunction with NRCS. The project was so successful that NRCS has continued to support it financially but the district still needs additional match funding in order to continue. Clint Evans, NRCS, spoke in support of the project and advised that they are willing to continue the CCPI agreement and contribute half of the technical assistance costs if the Commission is willing to fund the other \$12,500. Discussion followed.

Division II AFO Grazing Conference

Letter was received in December 2010 for the conference during January 2011. Steve Becker, IASCD and Nez Perce SWCD, spoke in support of the request for \$1,000.

2011 Forestry Contest

The Idaho State Forestry Contest is scheduled in May 2011 in northern Idaho. Billie Brown spoke in support of the request for \$1,500.

NASCA

The Commission has supported this membership in the past but it was not paid during FY 2010 or FY 2011. Due are \$3,000.

2011 Envirothon

Envirothon is scheduled for May 2011 in Challis, Idaho. Steve Miller, Camas SCD, spoke in support of the request and commented on his involvement during the 2010 competition. The Commission funded the Envirothon at \$1,000 last year.

Ms. Schmidt advised that the Soil & Land Contest submitted a request yesterday afternoon in the amount of \$400 but it is not on the agenda.

Total amount requested is \$19,400 and will be considered during the financial and budget discussion.

DISTRICT NEEDS ASSESSMENT & DISTRICT CAPACITY GRANTS

Kyle Wilson, Nez Perce SWCD, presented his proposal for a District Needs Assessment and District Capacity Grants program. According to Idaho Code, the districts are to complete an inventory to identify and quantify district characteristic, resource conditions, and trend data. Historically, NRCS had done the needs assessments or inventories in the past but these have not been done in several years. Mr. Wilson is proposing a method for conducting District Needs Assessments across the state to evaluate the resource conservation needs of a requesting district. This assessment would be a prerequisite to applying for a District Capacity Grant, which would serve to build and improve the infrastructure of districts. The grants would provide a framework for identifying areas of development for districts to build capacity and become successful.

Discussion followed. The Commission can look at options available to support this program and assist the districts. There is strong support for this concept and it will fit in to the discussion during the working group meeting.

ADMINISTRATOR'S REPORT

Ms. Schmidt provided the Commission with a brief update on the following:

- Julie Burkhardt, Adams SWCD supervisor, is receiving the Governor's Award for Excellence in Agriculture in the Environmental Stewardship category at the Idaho Ag Summit luncheon today
- Chuck Pentzer, SWC CREP Program Coordinator, has been taking the lead on 1619 cooperator agreements within the CREP program and is close to finalizing a new agreement
- Commended staff for the updated Commission website
- The updated Supervisors handbook should be distributed at the Spring Division meetings

Dave Radford joined the meeting via conference call.

The process for the permanent rule for district allocations is underway. Guidance documents will be drafted for additional support on the instructions for the forms and reports. The forms will be further streamlined and updated based on feedback received from districts. A draft for a proposed rule will be circulated this spring. The annual district budget hearing will be scheduled prior to the statutory deadline of June 15th.

Ms. Schmidt discussed the Commission priorities and how it fits in with the current staffing and reduced budget. Operations were divided into high, medium and low priorities and Ms. Schmidt discussed each item and how it is affected by lack of resources. SWC staff has taken on additional responsibility across the state in order to meet mandates. With all of the changes, policy and procedures need to be drafted or rewritten to provide consistent documentation.

Additionally, there are programs on the back burner that could jump to a high priority if there are updated state and federal statutes, litigation or updated practice standards. The Commission has put other programs on hold because of lack of resources and staff including Carbon Sequestration, supervisor training and Idaho OnePlan. If programs are being dropped, discontinued or handled by other agencies, then the statute will need to be cleaned up, which will take additional staff time and resources.

As the Commission moves forward with identifying priorities through the Strategic Plan, the priorities and workload of field staff could be shifted away from district support, technical assistance and match for project grants. Discussion followed.

Mr. Bronson requested that the Commission send a letter to Julie Burkhardt to commend her for her work in conservation.

Lunch break was called for from 11:38 a.m. to 1:00 p.m.

Meeting reconvened at 1:04 p.m.

Chairman Flory was excused to attend the Governor's award luncheon. Dave Radford continued to participate by teleconference. Vice Chair Horsch brought the meeting to order and turned over the floor to the Department of Administration fiscal office to discuss state fiscal policy and procedures.

SWC FINANCIALS

State Budget Process

Connie Smith, Chief Financial Officer for the Department of Administration, discussed the state budgeting process. Every action is guided by statute and budgets are required by every agency on an annual basis. Budget publication book outlines the various steps for each agency to follow for each fiscal year. Ms. Smith described the budget process step by step, from the deadlines and requirements for agency budget submission to the beginning of the budget setting process done by the Joint Finance and Appropriations Committee (JFAC). Agencies must present the Governor's budget recommendation to JFAC, after which JFAC will set the appropriations for the following fiscal year. The proposed budget then goes to the Governor for signature and finalization after it is approved by the House and Senate.

Ms. Smith further described supplemental budget requests, which is a request from an agency for the authority to receive and spend monies outside of their original appropriation for that fiscal year. Unless the spending authority is granted, SWC would be unable to spend any money received from other sources. This fiscal year, SWC does have a supplemental request to bill for professional services provided to other state and federal agencies and the authority to spend those funds for operating expenses once received.

Expenditure codes. The four main categories include Personnel, Operating, Capital, and Trustee & Benefits (T&B). The dollars that are allocated to each expenditure code are dedicated to that code unless special permission is received to move the money from one code to another. There is a hierarchy starting with Personnel to Operating to Capital and lastly to T&B. Funds can be rolled down but cannot be rolled up to another code. For instance, Operating funds can be rolled down to Capital or T&B but cannot be rolled up to Personnel.

Encumbrances. An encumbrance is the process of setting aside funds from one fiscal year and rolling it over to the beginning of the next fiscal year for specific expenditures. The rules for approving an encumbrance are very strict and the appropriate documentation must be in place in order to request an encumbrance. Requests are submitted to Division of Financial Management (DFM) by June of each year. The purpose for this process is because state agencies may not hold over any funding from one fiscal year to the next.

Cash Management Policy. All state accounting processes are set by statute. Any check over \$200 has to be deposited within 24 hours of receipt so the state is able to take advantage of interest earned. Checks can remain in a suspense account for five business days before allocating it out to specific cash accounts.

Prepayments. Prepayments to vendors are allowed under certain circumstances including insurance premiums, rent payments, and some maintenance contracts for equipment. If the state can derive a benefit from the prepayment, like a reduced cost for an annual payment, then the prepayment is allowed. This process is not intended to save cash from one fiscal year to another.

Discussed followed to further understand the budget process and how it has affected the Commission in the recent past. Ms. Schmidt thanked Ms. Smith and her staff for the outstanding advice and service they have provided to the Commission. Based on initial discussion, DFM is willing to consider an encumbrance for WQPA funding for this fiscal year. The discussion of the different expenditure codes will be critical if the Commission moves forward with block grants or the District Capacity Grant as proposed by the Nez Perce SWCD. Discussion followed about the importance of setting priorities and planning ahead.

January 2011 Financial Report

Ms. Schmidt presented the financial report for the period ending January 31, 2011 which is 58% of the fiscal year.

Summary of expenditures to date:

- \$553,194 has been expended from Personnel, which is 53% of budget
- \$74,987 has been expended from Operating, which is 44% of budget
- \$934,088 has been expended from T&B, which is 82% of budget and a balance of \$201,276 remaining for WQPA projects.

Ms. Schmidt discussed the Resource Conservation and Rangeland Development Program (RCRDP) budget and expenses to date. Initially, the loan program budget was set with a full-time loan officer on staff. Since then, the Commission entered into an agreement with Office of Energy Resources to share a loan officer. Under state budget policies, funds paid toward the obligation of an agreement must come from Operating, which goes to demonstrate the low percentage of the RCRDP personnel budget expended to date.

Summary of expenditures to date:

- \$8,331 has been expended from Personnel, which is 10% of budget
- \$63,202 has been expended from Operating, which is 62% of budget

The cash flow and monthly financials for the loan program will be presented by Terry Hoebelheinrich later on the agenda.

Vice Chair Horsch turned the chair back to Chairman Flory who returned from the award luncheon.

There was discussion about possible budget adjustments or changes due to the outcome of the Strategic Plan Working Group and the ability of the Commission to adapt to the potential staffing changes. Rebecca Fry, Human Resource Officer for the Department of Administration, responded by acknowledging that the Commission is structured appropriately for the current agency focus and as budgets or priorities change she can assist the Administrator and Commissioners with any personnel advice necessary.

Mr. Bronson moved to accept the January 2011 financial report. Mr. Radford seconded. No further discussion. Motion passed unanimously.

FY 2012 Spending Reduction Plan Request from Legislative Services Office (LSO)

A letter was received by the Commission on February 11th from LSO requesting a Spending Reduction Plan by Thursday, February 17, 2011. Ms. Schmidt recommends the additional savings from the Personnel budget. These savings include charging the appropriate amount of staff time to the loan program rather than paying those personnel expenses from the general fund appropriation.

Mr. Radford moved to submit a Spending Reduction Plan to Legislative Services Office showing an additional reduction of \$35,500 to the Personnel budget. Mr. Stutzman seconded. Further discussion followed about other options including reductions to Operating or T&B and possible flexibility with the loan program. There is opposition to this motion if the reduction affects current staff. Further discussion followed to understand the impacts of each option. **Motion passed unanimously.**

RESOURCE CONSERVATION AND RANGELAND DEVELOPMENT PROGRAM

Ms. Schmidt introduced the team of staff that supports the loan program (RCRDP), Harriet Hensley and John Homan with the Office of the Attorney General, and Terry Hoebelheinrich, Erin Seaman and Kristin Magruder with the Commission.

Water Rights as Collateral

As requested, John Homan provided a summary overview of various security instruments that can be used to secure the RCRDP loans.

Real Property. Mortgages are used to secure property 20 acres or more. For property less than 20 acres, a deed of trust would be used.

Fixtures. Goods that are attached to the real property and that become a part of that property (irrigation pipelines, pumps, panels or sprinklers). Generally covered by a security agreement but creditor can file notice of interest if there is a question of the characterization of the collateral.

Chattel. Equipment that is secured by a security agreement and the creditor will file notice of security interest with the county recorder using a UCC-1 form, which describes the fixture and includes a legal description of the property where the fixture is attached.

Water Rights and Water Shares. Water Rights can be severed from the land and used as collateral by the creditor. Security interest can exclude the underlying real estate. Water Shares can be transferred by the owner to a creditor by certificate. The value can be severely limited because the shares would only be for the property owners in that area.

Question and answer session followed for clarification on values. Mr. Homan advised that the most conservative method to secure the loans is by using mortgages and security agreements. There were further questions about specific scenarios.

Proposed Policy Changes

Ms. Magruder presented an overview on behalf of Commission staff that were involved (Hensley, Homan, Hoebelheinrich) in crafting a comprehensive reorganization and update to Commission policy for the loan program. A summary of minor changes is as follows - add authority for policy, updates definitions, clarifies applicant's investment, loan terms and applicant responsibility to cover all associated costs at closing. More substantive changes include new flexibility to consider loans that have started conservation efforts, improvements to application submission including delineation of process to ensure confidentiality of information, addition of a reconsideration process, specifics related to disbursements, account maintenance, and delegation of authorities.

Discussion followed regarding district ranking of conservation benefits. The Commission values the local input and brainstormed ways to be sure it is time sensitive for the applicants. Rather than requiring the full Board of Supervisors the Commissioners discussed the option of a local district official review to avoid scheduling delays, lack of a quorum, etc. The Commission also discussed possible applicant hesitation to share personal information locally.

Mr. Bronson moved to approve the draft RCRDP policy changes with the discussed strengthened reference to extenuating circumstances are absolutely needed for an application to come straight to the Commission in lieu of the local district. Mr. Horsch seconded. Motion passed unanimously.

Payment Receipt Correspondence

Ms. Magruder presented a proposal to discontinue the regular practice of loan staff sending a receipt letter following each payment made by a borrower. Citing opportunity costs and finding efficiencies in processes and procedures, this is process that can be eliminated with minimal to no impact to the borrowers. Commissioners did not raise any objections and staff will proceed accordingly.

A break was called for and the meeting reconvened at 3:56 p.m.

393
394 RCRDP Financial Report and Status Report

395 Mr. Hoebelheinrich presented the RCRDP Financial Report for October, November and
396 December 2010 and January 31, 2011.

397
398 Summary of Report:

- 399 - Total principal payments received: \$787,603
400 - Total interest payments received: \$202,367
401 - Personnel costs: \$4,792
402 - Operating expenses: \$23,477
403 - Total loan disbursements: \$131,967
404 - Ending cash balance as of 1/31/11: \$2,492,843
405 - Adjusted principal loan balance: \$7,360,898
406

407 After consideration of the 3% contingency (\$220,827) and applications previously approved but
408 not yet disbursed (\$229,415), there is \$2,040,601 available to commit to new loan applications.
409

410 Discussion followed about pending applications and past due loans. In response to a question,
411 Mr. Wilson estimated that 5 to 6% of loans in the private sector are typically past due so the
412 Commission's current rate of 3% is lower than that average. Staff will continue efforts to follow
413 up with those borrowers to receive payment and charge the appropriate late fees. Staff will
414 also insert a brief summary tracking past due loans into the regular financial report for
415 Commissioners.
416

417 **Mr. Stutzman moved to accept the RCRDP Financial Report through January 31, 2011. Mr.**
418 **Horsch seconded. Motion passed unanimously.**
419

420 **FINANCIAL REQUESTS**
421

422 The Commissioners returned to the financial requests that were presented during the morning
423 business session.
424

425 **Mr. Bronson moved to approve payment of up to \$12,500 for technical assistance to the Gem**
426 **Soil & Water Conservation District subject to agreements with the district and NRCS regarding**
427 **their match. Discussion followed. The motion died for lack of a second.**
428

429 Chairman Flory announced that all financial requests presented during the morning session
430 would be on the agenda at a future meeting.
431

432 **FUTURE MEETINGS**
433

434 Chairman Flory announced that the Bonner Soil & Water Conservation District has agreed to
435 host a tour for the conservation partnership in conjunction with the summer meeting of the
436 Commission. The Chairman has also personally invited the Governor and he has accepted

subject to final scheduling. The Commissioners discussed timing and prefer late May or early June. As soon as the meeting is confirmed, the Commission will work with the Bonner district to be sure that all interested parties including county commissioners, state legislators and others are invited.

HUMAN RESOURCES

At 4:57 pm, Mr. Bronson moved pursuant to Idaho Code 67-2345(b), the Commission enter into executive session for the purpose of conducting the annual performance evaluation for the Administrator. Mr. Stutzman seconded. The motion passed unanimously on a roll call vote. Ms. Fry was invited to attend the executive session.

The Commissioners exited executive session at 5:45 pm.

Mr. Horsch moved to adjourn the meeting at 5:46 p.m. Mr. Stutzman seconded. Motion passed unanimously.

Respectfully submitted,

Dick Bronson
Commissioner and Secretary,
Idaho Soil & Water Conservation Commission